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Universal Service Administrative Company
High Cost & Low Income Division
T.R.A. DOCKET ROOM

September 19, 2005

All telecommunications carriers, rural as well as non-rural, eligible to receive High Cost Loop support, Local Switching Support, High Cost Model support, and high cost support received pursuant to the purchase of exchanges are subject to an annual certification requirement that has a direct impact on those carriers' receipt of high cost universal service support. The certification for 2006 for both rural and non-rural carriers is due on or before **October 1, 2005**. Because October 1 falls on a weekend this year, the submission must be received on or before Friday, September 30, 2005. Without that certification, carriers will not be eligible for the first quarter 2006 high cost support for which they would otherwise be qualified. Provided below is a summary of the components of this certification requirement.

If a carrier is subject to state jurisdiction, the certification must come from the appropriate state regulatory authority. In states in which the commission has limited jurisdiction, the state commission need not initiate the process. Rather, the carriers may initiate the process, formulate plans to comply with section 254(e), and present them to the state commission, which may then in turn certify the carriers.

What must be contained in the certification?

- The certification must state that all federal high cost support will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, consistent with section 254(e) of the Communications Act.
- The certification may be in the form of a letter from the appropriate state regulatory authority or authorized corporate officer where the state lacks jurisdiction.
- The certification must clearly reference CC Docket No. 96-45.
- The certification should list rural carriers separately from non-rural carriers, in those states in which non-rural carriers are certified.
- The certification should include each carrier's study area code, the six-digit number assigned to each carrier by the National Exchange Carrier Association (NECA).
- Where eligible carriers have both an incumbent and a competitive company operating with the same name, the incumbent and the competitive company should be listed separately, each with its unique study area code.

What carriers are covered by this certification requirement?

All carriers seeking support from the following components of the high cost universal service support mechanism are subject to this certification requirement: High Cost

Loop Support, Local Switching Support, and High Cost Model Support. That is, all rural carriers and all competitive ETCs seeking high cost support in the service area of a rural LEC are subject to the rural certification requirement contained in section 54.314 of the FCC's rules. In addition, all non-rural carriers that are eligible to receive forward-looking support under the high cost model, as well as all competitive ETCs seeking high cost support in the service area of such a non-rural carrier, are subject to the non-rural certification requirement contained in section 54.313 of the FCC's rules.

Where should certifications be filed?

Certifications must be filed with both the FCC and USAC at the following addresses:

- FCC:
Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 – 12th Street, SW, Room TW-A306
Washington, DC 20554
- USAC
Karen Majcher
Universal Service Administrative Company
2000 L Street, NW – Suite 200
Washington, DC 20036

When must certifications be filed?

In order to receive first quarter 2006 high cost support, certifications must be submitted on or before **October 1, 2005. Because October 1 falls on a weekend this year, the submission must be received on or before Friday, September 30, 2005. The certifications must be received by the FCC and USAC on or before Friday, September 30, 2005. The consequence of failing to file is loss of first quarter 2006 support, absent a waiver from the FCC.** If a state commission or a carrier misses the October 1 deadline, the following schedule applies:

- Certify by January 1, 2006: The carrier may receive support for the second, third, and fourth quarters of 2006.
- Certify by April 1, 2006: The carrier may receive support for the third and fourth quarters of 2006.
- Certify by July 1, 2006: The carrier may receive support for the fourth quarter of 2006.
- Fail to certify by July 1, 2006: The carrier may not receive any high cost support for 2006.



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In an order released in October of 2003, the Federal Communications Commission (FCC) adopted a new annual state certification requirement that is due October 1, 2005. Because October 1 falls on a weekend this year, the submission must be received by Friday, September 30, 2005. Pursuant to section 54.316 of the FCC's rules, each state is required annually to review the comparability of residential rates in rural areas of the state served by non-rural incumbent local exchange carriers (ILECs) to urban rates nationwide, and to certify to the FCC and the Universal Service Administrative Company (USAC) as to whether the rates are reasonably comparable. Please note that this new certification is in addition to the annual certifications in which states certify to the use of high cost universal service funds, which are also due on October 1.

For the rate comparability certification, states may use a safe harbor and presume for certification purposes that the residential rates in rural areas served by non-rural ILECs are reasonably comparable to urban rates nationwide, if the rates are below the nationwide urban rate benchmark. The nationwide urban benchmark is the most recent average urban rate plus two standard deviations, or \$34.21 for the upcoming certification period. This benchmark amount will be adjusted annually.

If a state does not rely on the safe harbor provision, or certifies that the rates are not reasonably comparable, the state must fully explain its rate comparability analysis and provide data supporting its certification, including but not limited to residential rate data for rural areas within the state served by non-rural ILECs. If a state certifies that the rates are not reasonably comparable, it must also explain why the rates are not reasonably comparable and explain what action it intends to take to achieve rate comparability.

Details of this requirement, along with rate comparability guidelines and a basic service rate template, can be found in the FCC's *Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order*, CC Docket No. 96-45, FCC 03-249, released on October 27, 2003. **Go to the Order online** (http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-03-249A1.doc) [MS Word].

Please remember that the annual rate comparability certification is due to the FCC and USAC on October 1, 2005 and pertains to rates as of July 1, 2005. Because October 1 falls on a weekend this year, the submission must be received by Friday, September 30, 2005. Certifications should be filed with both the FCC and USAC at the addresses below:

FCC:

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 - 12th Street, SW, Room TW-A306
Washington, DC 20554

USAC:

Karen Majcher
Vice President, High Cost & Low Income
Universal Service Administrative Company
2000 L Street, N.W., Suite 200
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